

Message Text

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PAGE 01 TOKYO 04749 240737Z
ACTION COME-00

INFO OCT-01 EA-12 ISO-00 EB-08 TRSE-00 L-03 FTC-01
CIAE-00 INR-10 NSAE-00 STR-07 ITC-01 /043 W
-----116143 241755Z /14
R 240711Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 6405

UNCLAS TOKYO 04749

E.O. 11652:NA
TAGS: BEXP, JA, US
SUBJECT: TRADE FACILITATION COMMITTEE: POSSIBLE TFC
CASE INVOLVING WHISKEY TAX

REF: SECSTATE 55790

SUMMARY. KIRIN-SEAGRAM TOKYO REPRESENTATIVE HANDLING
WHISKEY TAX CASE THROUGH OWN CHANNELS AT THIS
TIME. NO TFC CASE EXPECTED TO MATERIALIZE. AS MATTER
OF POLICY, HOWEVER, EMBASSY BELIEVES TFC CONSIDERATION
SHOULD BE CONFINED TO CASES INVOLVING IMPORTS OF
U.S.-MADE PRODUCTS; KIRIN-SEAGRAM PRODUCT UNDER
DISCUSSION IS MANUFACTURED IN JAPAN. WASHINGTON VIEWS
ARE REQUESTED. END SUMMARY.

1. EMBASSY HAS CONTACTED MR. HERBITS OF KIRIN-SEAGRAM
LTD. AND DISCUSSED SUBJECT TAX CASE, AS REQUESTED REFTTEL.
HERBITS PREFERS TO HANDLE CASE PRIVATELY FOR TIME BEING
AND IS PREPARING HIS CASE TO PRESENT TO GOJ TAX OFFICIALS.

2. EMBASSY HAS PROVIDED HERBITS WITH BACKGROUND
INFORMATION ON U.S. TAX STRUCTURE FOR IMPORTED WHISKEY
AS HE REQUESTED. HERBITS BELIEVES HE WILL BE ABLE TO
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RESOLVE TAX DISPUTE THROUGH OWN CHANNELS AND THAT
TRADE FACILITATION COMMITTEE (TFC) CASE WILL NOT
MATERIALIZE.

3. IN CHECKING WITH HERBITS, EMBASSY WAS INFORMED
THAT KIRIN-SEAGRAM IS 50/50 JOINT VENTURE U.S.-JAPANESE
FIRM. (A PUBLISHED SOURCE INDICATES, HOWEVER, THAT THE
50 PERCENT FOREIGN EQUITY IS SPLIT--WITH PROPORTION

UNSPECIFIED--BETWEEN JOSEPH E. SEAGRAM & SONS
INC. (U.S.) AND CHIRAS BROTHERS LTD. (U.K.) FIRM
PROCURES ALL NON-JAPANESE ORIGIN MATERIALS THROUGH
SEAGRAM'S NEW YORK SUBSIDIARY, ALTHOUGH SUBSTANTIAL
QUANTITIES OF IMPORTS ARE OF CANADIAN OR BRITISH
ORIGIN. IT IS NOT CLEAR WHETHER THESE MATERIALS ARE
FIRST IMPORTED INTO U.S. AND THEN RE-EXPORTED TO JAPAN
OR WHETHER THEY ARRIVE IN JAPAN DIRECTLY FROM COUNTRY
OF ORIGIN. HERBITS DID NOT KNOW WHETHER
ROBERT BROWN BRAND SCOTCH-LIKE WHISKEY, THE PRODUCT OF
DIRECT CONCERN IN THIS CASE, CONTAINED ANY U.S.-ORIGIN
MATERIALS.

4. REGARDLESS OF THE ORIGIN OF MATERIALS, ROBERT
BROWN WHISKEY IS MANUFACTURED IN JAPAN AND, AS SUCH,
CANNOT BE CONSIDERED A "U.S. PRODUCT." IN THE
EMBASSY'S VIEW, THE TFC TERMS OF REFERENCE ARE
APPLICABLE TO "IMPORTS FROM THE UNITED STATES" OF
"U.S. MANUFACTURED PRODUCTS" (FROM PREAMBLE AND
ITEM 2 OF TERMS OF REFERENCE, RESPECTIVELY). ITEM 1
DEALS WITH DIFFICULTIES ENCOUNTERED BY "U.S. (REPEAT)
U.S. COMPANIES IN INITIATING OR EXPANDING THEIR
SALES TO (REPEAT) TO THE JAPANESE MARKET."

5. AS MATTER OF POLICY, EMBASSY BELIEVES THAT TFC
CONSIDERATION SHOULD BE CONFINED TO
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THOSE CASES IN WHICH U.S. PRODUCT DIRECTLY INVOLVED
AND THAT NORMAL ASSISTANCE CHANNELS SHOULD BE
UTILIZED FOR PROBLEMS INVOLVING JOINT VENTURES
AND JAPANESE MANUFACTURED GOODS.

6. WE WOULD APPRECIATE WASHINGTON VIEWS ON THIS
ISSUE. MANSFIELD

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